

MEMORANDUM FOR: Director of Central Intelligence
VIA: Deputy Director of Central Intelligence
FROM: Harry E. Fitzwater
Deputy Director for Administration
SUBJECT: Industrial Security - Unannounced Security
Audit Policy

1. Action Requested: It is requested that you approve the recommendation in paragraph 4 to permit notice to the Agency's industrial contractors of impending industrial security audits.

2. Background: In May 1977, in the aftermath of the Boyce/Lee case, the Director of Central Intelligence instructed the Director of Security to establish a program to conduct periodic, unannounced comprehensive security audits of industrial contractor facilities.

Since the inception of the security audit program in 1977, the industrial contractor reaction has been highly favorable. They have implemented numerous procedures and physical changes that have substantially improved the overall industrial security program.

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Throughout this 4-year experience there has been one significant negative aspect, and that is associated with the surprise nature of the visits in meeting the requirement that the audits be unannounced. Industrial contractors have almost universally reacted unfavorably to this procedure and have expressed the opinion that unannounced audits create an adversary relationship and, regardless of the intended purpose, give the appearance of antagonism and mistrust between the Agency and the industrial contractor.

3. Staff Position: We believe that the advantages of prior notice far outweigh the disadvantages. Major contractors and small businesses considered contractually important to the Agency have been audited and reaudited on the basis of lapsed time or priority interest. Understanding is improved and rapport is good; however, the Industrial Security Auditors must continually work to overcome the initial apprehension created by the surprise nature of the visits. Prior notice of impending audits would ensure the availability of essential contractor personnel, permit timely clearance certifications, allow preaudit preparations to be fully coordinated with interested Agency components and, most importantly, create a positive atmosphere. Should the contractor take advantage of the time between notification and inspection to review his security posture and correct discrepancies, that would merely accomplish our objective to enhance security at that facility earlier than expected. The authority to conduct unannounced industrial security audits should remain. However, as a standard practice, the ability to provide prior notice would be very much preferred.

4. Recommendation: It is recommended that the industrial facility security audit policy be that the Director of Security will conduct periodic comprehensive security audits of industrial contractor facilities, and whether such audits will be unannounced, or the industrial contractor will be notified of an impending visit is discretionary.

Harry E. Fitzwater

CONCUR:

Deputy Director of Central Intelligence

Date

APPROVED:

Director of Central Intelligence

Date

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